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**WSL**

western supplies limited



ANNUAL REPORT  
for the year ending January 31, 1977





# **WSL WESTERN SUPPLIES LIMITED**

14635 - 121A AVENUE, EDMONTON, ALBERTA

## **DIRECTORS**

J. Alexander  
M. L. Cosgrove  
Thomas A. Graham  
T. A. Graham  
W. A. Graham  
F. R. Godfrey  
P. L. P. Macdonnell, Q.C.  
L. C. Reise  
H. W. Skaret  
W. R. Taprell

## **OFFICERS**

T. A. Graham, Chairman of the Board  
W. A. Graham, President  
J. Alexander, Vice-President  
L. C. Reise, Vice-President  
H. W. Skaret, Vice-President  
F. R. Godfrey, Exec. Vice Pres. & Treasurer  
Thomas A. Graham, Secretary

## **TRANSFER AGENT AND REGISTRAR**

National Trust Company, Limited  
Edmonton, Toronto, Vancouver

## **AUDITORS**

Peat, Marwick, Mitchell & Co.  
25th Floor, 10020 - 100 Street  
Edmonton, Alberta

## **BANKERS**

Canadian Imperial Bank of Commerce

## **ANNUAL MEETING**

The annual meeting of shareholders will be held at the Edmonton Inn, Monday, June 27, 1977, at 11:30 a.m.

VICTORIA • ABBOTSFORD • CHILLIWACK • NEW WESTMINSTER • RICHMOND • VANCOUVER  
KAMLOOPS • VERNON • KELOWNA • PENTICTON • CRANBROOK • PRINCE GEORGE • CAMPBELL RIVER  
COQUITLAM • DAWSON CREEK • GRANDE PRAIRIE • FT. McMURRAY • EDMONTON • CAMROSE • RED DEER  
LLOYDMINSTER • CALGARY • SASKATOON • REGINA • WINNIPEG • THUNDER BAY • HAMILTON  
BRANTFORD • LONDON • BELLEVILLE • WOODSTOCK • WELLAND • TORONTO • ST. THOMAS  
KITCHENER • SARNIA • RICHMOND HILL • COLLINGWOOD • LINDSAY • ORILLA • OSHAWA



## ANNUAL REPORT TO THE SHAREHOLDERS

Notwithstanding the difficult economic conditions prevailing in Canada during 1976 and the challenging business conditions that accompanied a hesitant economy, the performance of the Company and its subsidiaries remained satisfactory.

### OPERATING RESULTS

Although sales during the year increased approximately 16% to \$71,593,598 consolidated net earnings of \$1,660,440 were down 21% from the \$2,092,376 earned in the previous year. With the growth rate in construction spending on the decrease, the down turn resulted in keener competition in pricing. Accordingly, earnings did not keep pace with sales and were further affected by continued increases in operating expenses. However, certain unprofitable operating centres have been eliminated and this is expected to improve earnings during the current year.

As a result of the capital reorganization which became effective November 18, 1976 the 119,900 previously outstanding Class A shares of the Company were converted into 263,780 common shares and the 150,100 previously outstanding Class B shares of the Company were converted into 300,200 common shares. In the result there are now 563,980 common shares outstanding out of a total authorized capital of 1,000,000 common shares. After giving effect to the reorganization earnings per common share were \$2.95 compared with \$3.71 the previous year. Dividends paid during the year amounted to 93 cents per common share and were tax free in the hands of the shareholders.

### EXPANSION

A new Distribution Centre was recently completed at Langley, British Columbia to better service the Company's customers and branches in the Province of British Columbia. The continued growth of the Alberta market has made it necessary to provide additional space for the operations of the main Edmonton branch. To achieve this approximately 30 head office employees will be moved into a new building now nearing completion which will be leased by the Company. It is expected that this move will be completed prior to the end of June.

### OUTLOOK

While economic expectations for the year ahead are for modest growth only and national forecasts in the construction industry are not encouraging, a number of areas in which the Company operates continue to be very active and we anticipate another satisfactory year.

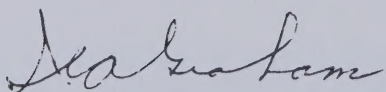
### DIRECTORS

During the year Mr. L.C. Reise retired as a senior officer of the Company and will not be standing for re-election at the annual meeting. The Board wishes to acknowledge his loyal service to the Company during the years of its greatest development and growth.

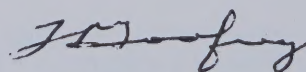
### GENERAL

We acknowledge with appreciation the loyalty and support of our customers and suppliers. We are indebted to all employees for their continuing contributions to the overall strength and success of the Company.

On behalf of the Board of Directors



President



Executive Vice President and Treasurer

## CONSOLIDATED STATEMENT OF EARNINGS

Year ended January 31, 1977

(with comparative figures for 1976)

	<u>1977</u>	<u>1976</u>
Sales .....	\$ 71,593,598	61,669,715
Operating profit before depreciation and amortization .....	4,641,265	4,805,771
Depreciation and amortization of fixed assets .....	241,001	187,279
Amortization of goodwill .....	24,800	24,800
	<u>265,801</u>	<u>212,079</u>
Operating profit .....	4,375,464	4,593,692
Other income:		
Rental income, net .....	35,502	28,864
Profit on disposal of fixed assets .....	—	5,317
	<u>35,502</u>	<u>34,181</u>
	4,410,966	4,627,873
Other charges:		
Interest on long-term debt .....	202,810	169,598
Other interest .....	823,026	485,865
Loss on disposal of fixed assets .....	4,198	—
	<u>1,030,034</u>	<u>655,463</u>
Earnings before income taxes and extraordinary item .....	3,380,932	3,972,410
Income taxes:		
Current .....	1,696,792	1,985,470
Deferred .....	23,700	—
	<u>1,720,492</u>	<u>1,985,470</u>
Earnings before extraordinary item .....	1,660,440	1,986,940
Extraordinary item:		
Gain on sale of land .....	—	105,436
Net earnings .....	<u>\$ 1,660,440</u>	<u>2,092,376</u>
Earnings per share (note 4):		
Earnings before extraordinary item .....	\$ 2.95	3.52
Extraordinary item .....	—	.19
Net earnings .....	<u>\$ 2.95</u>	<u>3.71</u>

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended January 31, 1977

(with comparative figures for 1976)

	<u>1977</u>	<u>1976</u>
Balance at beginning of year .....	\$ 10,606,328	9,070,989
Net earnings .....	1,660,440	2,092,376
	<u>12,266,768</u>	<u>11,163,365</u>
Deduct:		
Dividends .....	523,791	472,500
15% tax paid on undistributed income .....	91,785	84,537
	<u>615,576</u>	<u>557,037</u>
Balance at end of year .....	<u>\$ 11,651,192</u>	<u>10,606,328</u>

See accompanying notes to consolidated financial statements.

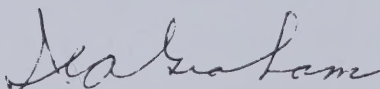


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Consolidated Balance S  
(with comparativ

**ASSETS**

	<u>1977</u>	<u>1976</u>
CURRENT ASSETS:		
Accounts receivable .....	\$ 10,445,970	9,782,560
Inventories of merchandise, at the lower of cost (first-in, first-out) and estimated realizable value .....	13,772,752	13,414,185
Prepaid expenses .....	67,421	73,836
Total current assets .....	24,286,143	23,270,581
CASH SURRENDER VALUE OF LIFE INSURANCE .....	49,839	75,204
AGREEMENTS FOR SALE RECEIVABLE .....	—	120,491
PROPERTY, PLANT AND EQUIPMENT (note 1 (b) ):		
Buildings .....	1,763,879	1,373,920
Furniture, fixtures and other equipment .....	790,724	712,437
Automotive .....	513,126	404,954
Other .....	258,540	231,186
	3,326,269	2,722,497
Less accumulated depreciation and amortization .....	1,641,603	1,458,256
	1,684,666	1,264,241
Buildings under construction (note 6) .....	944,956	171,889
Land .....	720,343	366,889
Net property, plant and equipment .....	3,349,965	1,803,019
GOODWILL, (note 1 (c) ) .....	377,600	402,400
On behalf of the Board:	<u>\$ 28,063,547</u>	<u>25,671,695</u>

Director



Director



See accompanying notes to consolidated financial statements.

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et, January 31, 1977

ures for 1976)

## LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1977</u>	<u>1976</u>
CURRENT LIABILITIES:		
Due to bank, secured (note 2):		
Outstanding cheques less cash in bank .....	\$ 982,698	903,513
Notes payable .....	5,503,000	4,916,000
	<u>6,485,698</u>	<u>5,819,513</u>
Accounts payable and accruals .....	6,052,227	6,630,482
Current maturities on long-term debt (note 3) .....	268,150	219,500
Dividends payable .....	253,791	202,500
Income taxes payable .....	768,781	463,531
Total current liabilities .....	<u>13,828,647</u>	<u>13,335,526</u>
LONG-TERM DEBT (note 3) .....	2,204,346	1,374,179
DEFERRED INCOME TAXES .....	53,700	30,000
SHAREHOLDERS' EQUITY:		
Share capital (note 4) .....	325,662	325,662
Retained earnings .....	11,651,192	10,606,328
Total shareholders' equity .....	<u>11,976,854</u>	<u>10,931,990</u>
COMMITMENTS (note 6)		
	<u>\$ 28,063,547</u>	<u>25,671,695</u>



**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**

Year ended January 31, 1977  
(with comparative figures for 1976)

	<u>1977</u>	<u>1976</u>
Funds provided:		
From operations:		
Net earnings before extraordinary item .....	\$ 1,660,440	1,986,940
Add charges not requiring working capital .....	291,163	203,069
Funds provided by operations .....	1,951,603	2,190,009
Proceeds from sale of land .....	—	123,936
Proceeds from disposal of property, plant and equipment .....	13,783	396,704
Proceeds from long-term bank loan .....	1,100,600	516,000
Reduction in agreement for sale receivable .....	120,491	154,195
Other .....	27,901	—
Total funds provided .....	<u>3,214,378</u>	<u>3,380,844</u>
Funds used:		
Purchase of property, plant and equipment .....	1,805,928	556,807
Reduction of long-term debt .....	270,433	267,748
Dividends .....	523,791	472,500
Tax paid on undistributed income .....	91,785	84,537
Investment in agreement for sale receivable .....	—	125,000
Total funds used .....	<u>2,691,937</u>	<u>1,506,592</u>
Increase in working capital .....	522,441	1,874,252
Working capital at beginning of year .....	9,935,055	8,060,803
Working capital at end of year .....	<u>\$ 10,457,496</u>	<u>9,935,055</u>

See accompanying notes to consolidated financial statements.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

January 31, 1977

1. Significant accounting policies:
  - (a) The consolidated financial statements include the accounts of all subsidiary companies. All material intercompany transactions have been eliminated.
  - (b) Property, plant and equipment is carried at cost, less accumulated depreciation and amortization. The company uses the declining balance method to provide depreciation over the estimated useful lives of the fixed assets. Depreciation rates for the more significant items are set out below:
 

Brick buildings	5%	Furniture, fixtures and other equipment	20%
Frame buildings	10%	Automotive equipment	30%
  - (c) The company is following the policy of amortizing goodwill, arising on the acquisition of subsidiary companies, equally over a period of twenty years.
  - (d) The company has a pension plan covering its employees. It is the policy of the company to fund pension costs on a current basis.

2. Bank loans:  
The bank loans are secured to the extent of \$4,500,000 by a first floating charge on all assets and undertakings, and by assignment of accounts receivable and fire insurance on stock and fixtures. The company has signed demand notes covering all bank loans but the bank has agreed that, under normal circumstances, a portion of the loans will be payable over a ten year period. Accordingly, that portion of the bank loans has been classified as long-term debt. (note 3).

3. Long-term debt:  
Long-term debt consists of:

	<u>1977</u>	<u>1976</u>
8% note payable .....	\$ 60,000	120,000
Agreement and mortgages payable .....	176,596	184,179
Bank term loan (note 2) .....	<u>2,235,900</u>	<u>1,289,500</u>
	2,472,496	1,593,679
Deduct current maturities .....	<u>268,150</u>	<u>219,500</u>
	<u>\$ 2,204,346</u>	<u>1,374,179</u>

4. Share capital:  
During the year the shareholders of the company approved a capital reorganization under which the issued Class A and B shares outstanding before the reorganization were converted into common shares. As a result, 119,900 Class A shares were converted into 263,780 common shares, 150,100 Class B shares were converted into 300,200 common shares, and the authorized capital was amended so that the company is now authorized to issue 1,000,000 common shares without nominal or par value for a maximum consideration of \$1,200,000. At January 31, 1977, 563,980 common shares without nominal or par value were outstanding.

Earnings per share for the year ended January 31, 1976 has been restated giving retroactive effect to the capital reorganization referred to above.

5. Remuneration of directors and senior officers:  
Fees and other remuneration of directors and senior officers totalled \$621,422 for the year ended January 31, 1977 (\$603,392 in 1976).
6. Commitments:  
The company has entered into lease agreements for warehouse premises covering terms varying from one to twenty years. Rental payments amounted to approximately \$517,000 for the year ended January 31, 1977.  
Estimated cost to complete buildings under construction at January 31, 1977 is \$600,000.

7. Anti-Inflation Act:  
The company and its subsidiaries are subject to the Federal Anti-Inflation Act and Regulations. As a result the companies' ability to increase prices, profit margins and compensation, and to pay dividends is restricted.

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Western Supplies Limited as at January 31, 1977 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at January 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Peat, Marwick, Mitchell & Co.*

Chartered Accountants

# *Western Supplies Limited and Subsidiaries*

## **FIVE YEAR SUMMARY**

(In THOUSANDS of DOLLARS except net earnings per share)

INCOME STATISTICS	1977	1976	1975	1974	1973
Sales .....	\$ 71,594	61,670	60,752	44,713	32,908
Earnings before income taxes .....	3,380	3,972	5,828	3,587	1,170
Income taxes .....	1,720	1,985	3,088	1,838	573
Net earnings (see note) .....	1,660	2,092 (2)	2,740	1,749	806 (1)
Per share (see note) .....	\$ 2.95	3.71 (3)	4.86 (3)	3.10 (3)	1.43 (3)
Dividends .....	524	473	371	270	202

BALANCE SHEET STATISTICS	1977	1976	1975	1974	1973
Current ASSETS .....	24,286	23,271	18,399	16,619	11,301
Current LIABILITIES .....	13,829	13,336	10,338	10,524	6,619
Working CAPITAL .....	10,457	9,935	8,061	6,095	4,682
Ratio of current assets to current liabilities ...	1.8	1.7	1.8	1.6	1.7
Fixed assets (net) .....	3,350	1,803	1,843	1,157	1,238
Long term debt .....	2,204	1,374	1,126	744	905
Total shareholders' equity .....	11,977	10,932	9,397	7,114	5,650

(1) NET EARNINGS FOR 1973 INCLUDE EXTRAORDINARY EARNINGS OF \$209,000

(2) NET EARNINGS FOR 1976 INCLUDE EXTRAORDINARY EARNINGS OF \$105,000

(3) EARNINGS PER SHARE FOR 1976 AND PRIOR YEARS HAVE BEEN RESTATED GIVING RETROACTIVE EFFECT TO THE 1977 CAPITAL REORGANIZATION.





